



HEALTH AFFAIRS

## THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301-1200

APR 14 2003

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (M&RA)  
 ASSISTANT SECRETARY OF THE NAVY (M&RA)  
 ASSISTANT SECRETARY OF THE AIR FORCE (M&RA)

Subject: TRICARE Governance

As the Department of Defense and the Military Health System begin the transition to the next generation of TRICARE contracts, scheduled to begin health care delivery in 2004, we will establish a new management structure that provides increased local accountability and clarifies regional and national responsibilities for TRICARE. The Surgeons General, the TRICARE Management Activity and my office have developed the measurement framework by which we will set annual performance targets for the health system in terms of quality, access, patient satisfaction, productivity, and contract support.

Several principles form the basis of this governance plan.

*Local military medical treatment facility (MTF) commanders are accountable for performance.* MTF commanders must establish an annual business plan that sets performance goals. In addition, the MTF commander is financially responsible for all care provided to MTF-enrolled beneficiaries, wherever they receive their care. The TRICARE contracts have been written to offer strong financial incentives for the contractor to refer care into the MTF. The incentives support our medical readiness mission by ensuring that military providers have the opportunity for a comprehensive and clinically challenging health care practice.

*The Service Surgeons General are accountable for the performance of their MTFs.* Local MTF business plans will roll-up into a single Regional business plan. The Business Planning Process (attachment 1) outlines the flow and approval of business plans through the Military Health System that will be completed before the year of execution.

*Regional Directors are responsible for developing regional business plans that integrate the local MTF plans and the contractor plans.* MTF business plans, which will have been coordinated with the Regional Directors during development, and plans for remote site care and other non-Prime areas will establish TRICARE performance expectations on a regional level. These plans will include contractor performance expectations such as network adequacy, claims processing timeliness, and support to local MTF commanders. Regional Directors are directly accountable for ensuring contractors support MTF commander efforts to optimize their facilities using auditable business processes.

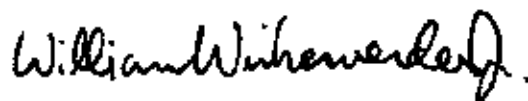
*The TRICARE Management Activity is accountable for the overall performance of TRICARE.*

*Information will be freely shared and will be visible throughout the Military Health System. I have directed that the specific details of the business plans and the monitoring of performance will be timely and open. We will be able to view data across the system, and make corrective management decisions quickly when needed.*

The Under Secretary of Defense for Personnel and Readiness has requested that the Service Secretaries identify a flag officer or SES billet to serve as one of three Regional Directors. In the coming weeks, we will be putting forth the TRICARE Regional Office staffing template, and primary regional office functions. During this critical transition period, TMA and the Services have agreed that we will maintain staffing at our current Lead Agent offices. As we approach the implementation of the new T-Nex contracts, the work requirements and some of the Lead Agent staffs will transition to either the newly established TRICARE Regional Offices or to local health care market management responsibilities.

I expect that all stakeholders will be better served under the new TRICARE contracts. Access to appointment, patient satisfaction and quality of care will be highly valued and rewarded across the system. Administrative burdens and reporting for both contractors and government agencies will be greatly reduced. We will use the MHS Executive Review (MHSEER) process to establish and actively monitor Service and Regional performance.

I am committed to supporting our shared readiness mission, providing the highest quality of health care to all of our 8.7 million beneficiaries, and managing the resources of the Defense Health Program to obtain the best value. Your continued involvement will help us to continue to affix accountability for performance where it belongs. In the coming months, I will continue to apprise you of the major transition issues, to include TRICARE Regional Office organizational structure and manpower requirements, the detailed business plan, and our major TRICARE contracting milestones.



William Winkenwerder, Jr., MD

cc:

USD(P&R)

USD(P&R)

USD(AT&L)

ASD(RA)

PDUSD(P&R)

Service Vice Chiefs of Staff

Director Defense Procurement

Service Surgeons General

